

The following comment on the “Hearing on Tax Reform and Consumption-Based Tax Systems” has been submitted by and should be attributed to Lisa Chambers.

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The FairTax is a simple consumption tax, where everyone pays the same 23% tax on everything they buy. However, doing the research and arriving at the revenue-neutral 23% figure required economists, mathematicians, and others who are smarter than me; so it took me awhile to understand the 23% vs. 30%, inclusive vs. exclusive argument. Unlike the flat tax or VAT, the FairTax would *replace* the income tax; so the FairTax rate is quoted on an inclusive basis, the same as the income tax. People who claim that the FairTax rate is 30% are thinking of it in exclusive terms, like with other sales taxes that are added on to the cost of a product at the cash register. But the FairTax is already included in the price of an item before it gets to the cash register. Therefore, the price of a \$100 item would include a \$23 FairTax payment. Calculating it as an exclusive rate makes it look like a \$77 item would have a \$23 (30%) tax added to it; so this is the reason for the confusion between 23% vs. 30%. But, again, the FairTax payment is included in the price of items so the rate is, indeed, 23%. But it would not be a hidden tax because your sales receipt would say, "Product: \$77. FairTax: \$23."

Another issue people have with the FairTax is the prebate. But the prebate is what makes the FairTax fair to everyone. All legal households would receive a monthly check equal to the amount that they would pay in FairTax payments for anything they buy, up to poverty level spending. Since the prebate amount is based on family size and not income, a rich family with five members would receive a check for the same amount of money as a poor family with five members.

The FairTax may have a few features that require a little explanation; but it is definitely a simpler, fairer tax system than our current income tax. Our income tax system started out as a simple flat tax, but in its almost 100 years has grown to a 76,000 page graduated tax code filled with exemptions and loopholes. I am not a historian, but I believe it is time for another bold experiment in American history. If I am not mistaken, the United States of America was the first Constitutional Republic in the world; and this system of government has served us well for over 200 years. The same cannot be said about our income tax system because it is actually contributing to the demise of our republic. It has been said that a republic will only exist until the populace realizes they can vote to give themselves money from the public treasury; and this is what is happening under our current tax system. However, we can stop this by abolishing our current income tax system and attempting a bold experiment to change to a new form of taxation – a consumption tax, H.R. 25, the FairTax.